



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

August 28, 2009

Al Lillestol
Executive Director
Franklin Career College
1274 Slater Circle
Ontario, CA 91761

Dear Mr. Lillestol:

Enclosed is our final report relative to our review of Franklin Career College's compliance with Employment Training Panel Agreement No. ET06-0147 for the period September 12, 2005 through September 11, 2007.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment A to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Bonnie Bonner, Campus Executive Director

FRANKLIN CAREER COLLEGE

Agreement No. ET06-0147

Final Review Report

For The Period

September 12, 2005 through September 11, 2007

Report Published August 28, 2009

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REVIEW REPORT

Summary

We reviewed Franklin Career College's compliance with Agreement No. ET06-0147, for the period September 12, 2005 through September 11, 2007. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period April 9, 2009 through July 28, 2009.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$532,173. Our review supported \$519,733 is allowable. The balance of \$12,440 is disallowed and must be returned to ETP. The disallowed costs resulted from one trainee who did not meet retention period requirements, and one trainee who failed to meet minimum wage requirements.

REVIEW REPORT (continued)

Background

With facilities located in Ontario and Norwalk, Franklin Career College (Franklin) provides job skills training in regions with high levels of unemployed and displaced workers who often possess multiple barriers to employment.

This Agreement was the second between Franklin and ETP. The project sought to provide training to unemployed individuals. Based on an assessment of all potential trainees, Franklin staff determined that barriers to employment, including limited English language proficiency, lack of significant work history and communication skills, as well as reading and math skills below the 7th grade existed within the potential population of trainees in the areas they serve. Therefore, this Agreement provided for training in Commercial Skills and Literacy Skills relevant to those specific barriers to employment noted in the assessment.

This Agreement allowed Franklin Career College to receive a maximum reimbursement of \$685,231 for training 133 new-hire trainees. During the Agreement term, the Contractor trained and placed 97 trainees and was reimbursed \$532,173 by ETP.

Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$519,733 of the \$532,173 paid to the Contractor under this Agreement is allowable. The balance of \$12,440 is disallowed and must be returned to ETP.

REVIEW REPORT (continued)

Views of Responsible Officials	The review findings were discussed with Bonnie Bonner, Campus Executive Director, by telephone on July 28, 2009 and August 25, 2009. Ms. Bonner agreed to bypass a draft report and proceed directly to the final review report.
Appeal Rights	If you wish to appeal the review findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).
Records	Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: July 28, 2009

SCHEDULE 1 – Summary of Review Results

FRANKLIN CAREER COLLEGE

AGREEMENT NO. ET06-0147

FOR THE PERIOD

SEPTEMBER 11, 2005 THROUGH SEPTEMBER 12, 2007

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 532,173</u>	
Disallowed Costs:		
Post-Training Retention Requirements Not Met	6,220	Finding No. 1
Minimum Wage Requirement Not Met	6,220	Finding No. 2
Total Costs Disallowed	<u>\$ 12,440</u>	
Training Costs Allowed	<u><u>\$ 519,733</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Franklin Career College (Franklin) received reimbursement for the Post-Training Retention Requirements Not Met training costs of one Job No. 1 trainee who did not meet post-training retention requirements. Therefore, we disallowed \$6,220 in training costs claimed for this trainee.

Exhibit A, paragraph VII. A. of the Agreement between Franklin and ETP states, "Each trainee must be employed full-time, at least 35 hours per week, with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training."

Franklin reported that Trainee No. 1 completed a post-training retention period from June 12, 2006, through September 12, 2006. However, employer payroll information obtained via Employment Verification Questionnaire indicates that Trainee No. 1 involuntarily terminated employment on August 25, 2006. Thus, Trainee No. 1 was retained for only 74 days of the 90 days required by the Agreement. Employment Development Department (EDD) base wage information supports the employer-reported termination date and shows no subsequent employment in California within the term of the Agreement.

Recommendation Franklin must return \$6,220 to ETP. In the future, the Contractor should ensure trainees meet post-training retention requirements prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Franklin received reimbursement for the training costs of one Job Minimum Wage Requirement Not Met No. 1 trainee who did not meet the minimum wage requirement specified in the Agreement. Therefore, we disallowed \$6,220 in training costs for this trainee.

Exhibit A, paragraph VII. A. of the Agreement between Franklin and ETP states, "Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement]."

The Agreement required a minimum hourly wage rate of \$11.00 per hour for Job 1 following the post-training retention period. Employer payroll information obtained via Employment Verification Questionnaire indicates that Trainee No. 2 earned an hourly wage of \$10.00. Thus, Trainee No 2 failed to meet the minimum wage requirements as specified in the Agreement. The terms of the Agreement for Job No. 1 did not allow for the addition of employer paid health benefits to meet the minimum wage requirement. Furthermore, the employer reported that Trainee No. 2 did not receive any such benefits in addition to the hourly wage indicated above.

Recommendation Franklin must return \$6,220 to ETP. In the future, the Contractor should ensure trainees meet the minimum wage rate requirements prior to claiming reimbursement from ETP.

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET06-0147 and should not be used for any other purpose.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006